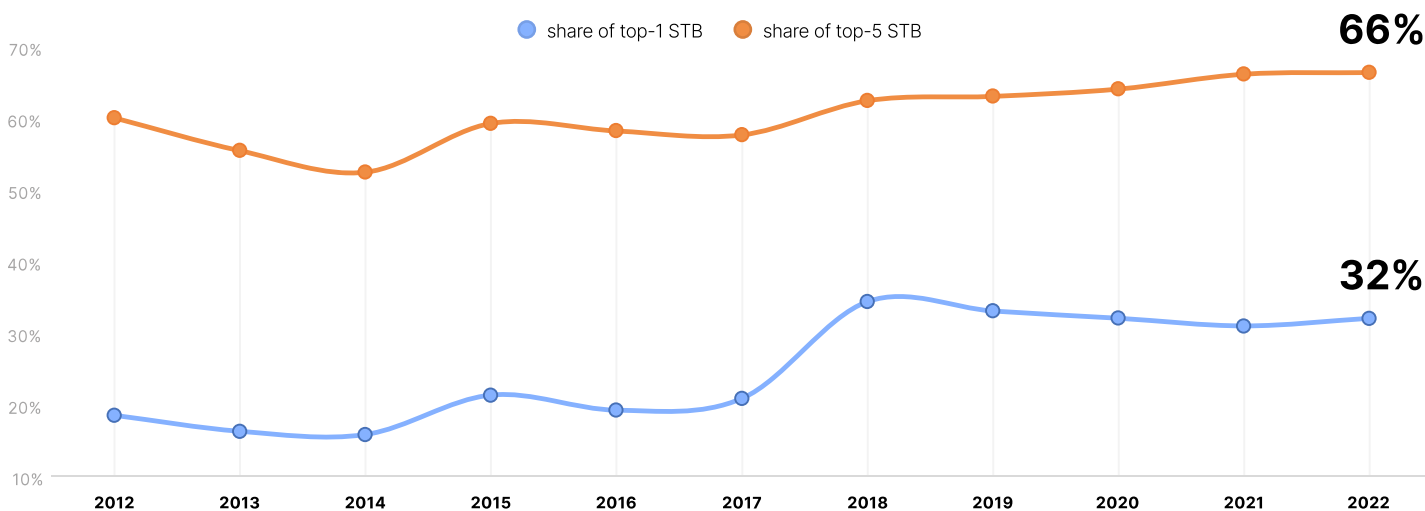


Two new banks may appear in Kazakhstan

Source: https://tengrinews.kz/kazakhstan_news/dva-novyih-banka-mogut-poyavitsya-v-kazahstane-497507/

Concentration of the banking sector



Source: NBK



Sunggat Rysbek

Analyst

“This year, the banking sector may be replenished with 2 banks: KMF Microfinance Organization LLP and Online Finance Microfinance Organization (Solva) LLP can potentially obtain a banking license and launch the reorganization process.

Kazakhstan's banking sector is marked by a high concentration. The share of assets of the top-1 bank at the end of 2022 was 32%, and the top-5 banks – 66%. Thus, competing with large banks is difficult for banks with low assets and capital. KMF and Solvawill potentially occupy 17 and 21 places in assets, and 16 and 22 places in capital, respectively, with indicators at the end of 2022.

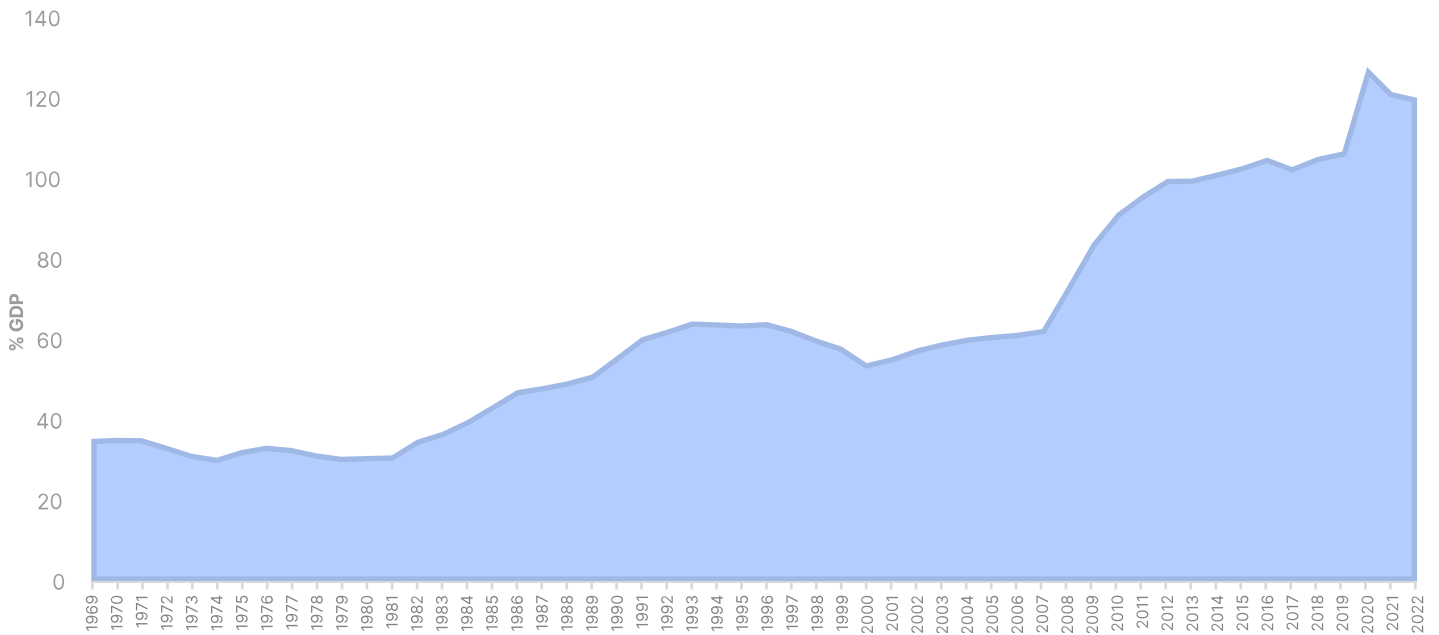
At the moment, the dominant factor of banking competition is mainly non-price factors: first of all, digitalization and widespread automation of processes, the availability and branching of the ecosystem of banking products, and the comprehensive involvement of financial organizations in people's lives. KMF and Solva can increase their client portfolio if they provide convenient digital platforms and competitive offers for banking products.”



The US House of Representatives has passed a law on raising the national debt limit

Source: <https://www.rbc.ru/politics/27/04/2023/6449a7bd9a7947b2fc51c0b1>

USA public debt



Source: <https://fred.stlouisfed.org>



Klara Seidakhmetova

Analyst

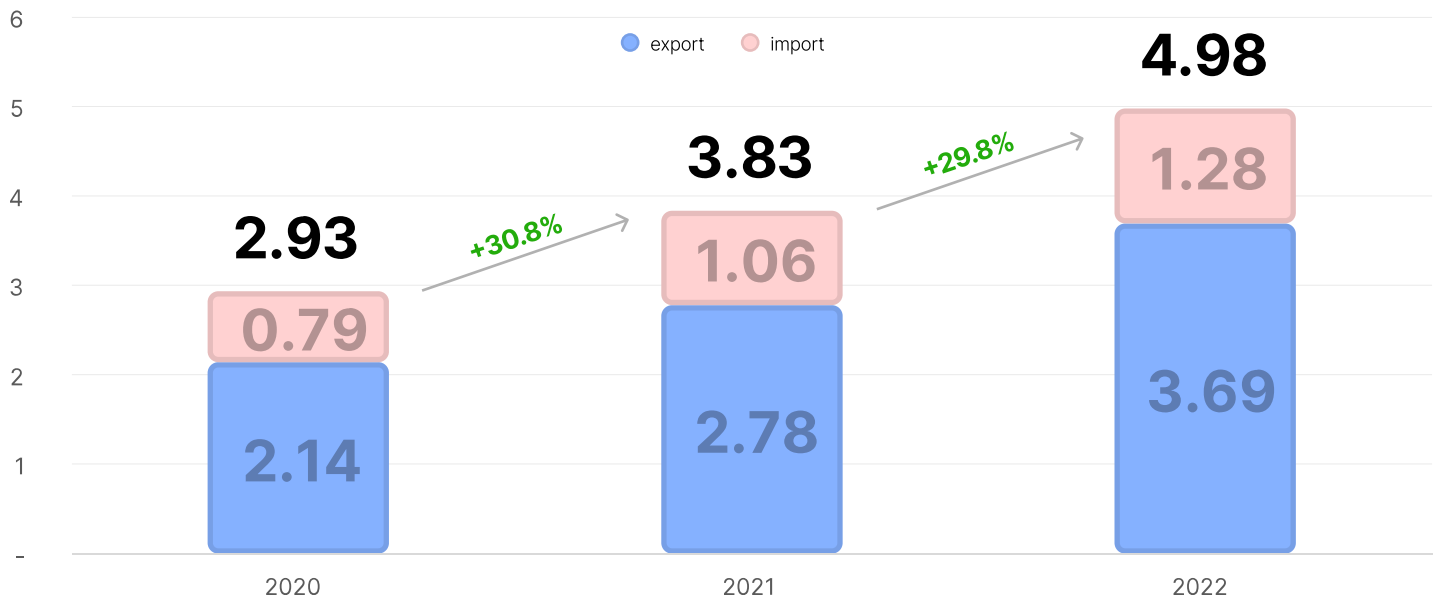
“The US public debt amounted to more than 120% of GDP or \$30.9 trillion by the end of 2022. **At the end of January 2023, the debt reached the ceiling of \$31.4 trillion, whereas today the US debt is about \$31.7 trillion.** The other day, the House of Representatives of Congress passed a **bill to raise the national debt limit by \$ 1.5 trillion to \$32.9 trillion.** The bill also includes measures to reduce government spending and limit its further growth at the level of 1% per year and the abolition of some tax benefits. Moreover, the further fate of the bill is still doubtful and causes controversy. However, if the established threshold for public debt is not revised, then the country will default, which will affect the economic situation worldwide.

At the same time, Goldman Sachs Group Inc experts believe that the deadline for increasing the debt ceiling will come only at the end of July. This decision was made by good indicators of tax revenues, which will ensure the preservation of resources for the Ministry of Finance until June.”

Kazakhstan and Uzbekistan entrepreneurs signed an export agreement for 900 thousand dollars

Source: <https://atameken.kz/ru/news/49325-azastan-men-zbekstanny-ksokerler-00-my-dollar-eksportty-kelsm-zhasady>

Kazakhstan and Uzbekistan turnover



Source: Bureau of the National Statistics



Ayat Suraganov

Analyst

"On April 27, the V Meeting of the Kazakhstan-Uzbekistan Business Council "Development of industrial cooperation within the framework of interregional cooperation between Uzbekistan and Kazakhstan" was held in Tashkent. There were discussed issues between the two countries' entrepreneurs, were signed export agreements in many sectors from construction to the textile industry.

In 2022, the trade turnover between the countries reached \$4.98 billion, including exports from Kazakhstan and amounted to \$3.69 billion, and imports – \$1.28 billion. The total trade turnover is growing by 30% for the second year in a row.

The main export products are wheat (\$825 million), telephones (\$320 million) and copper ores (\$259 million), semi-finished iron products (\$223 million), cars (\$220 million) and flat-rolled products (\$144 million).

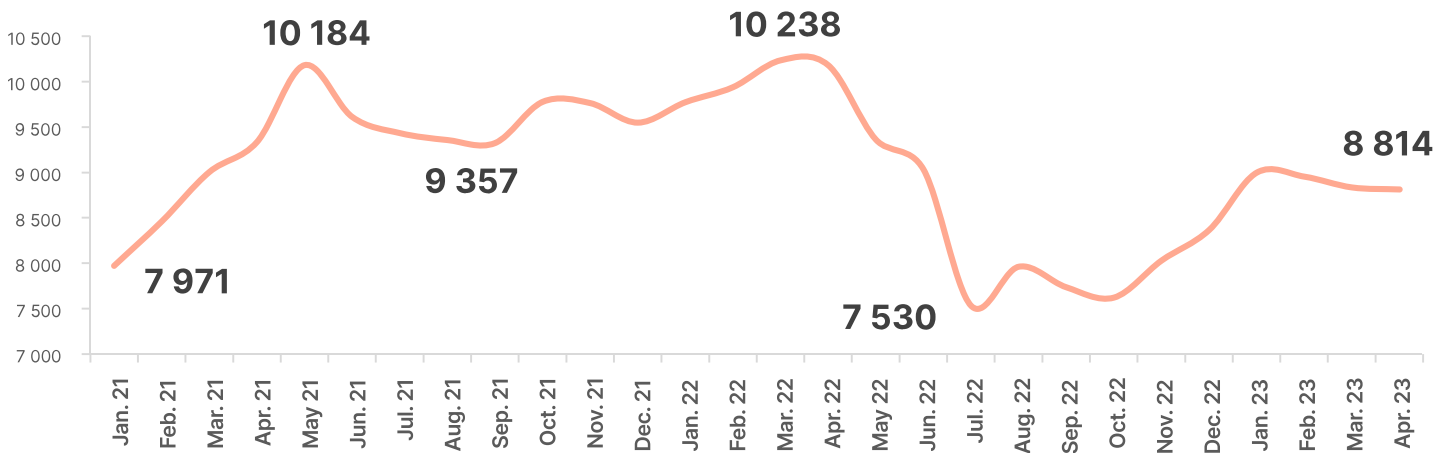
The main imported goods are car bodies (\$234 million), ICE (\$154 million), grapes (\$45 million), flat-rolled products (\$41 million) and lead ores (\$39 million).

It was also noted that more than half of the turnover of Turkestan region falls on Uzbekistan, which is \$ 446 million or 51.7% of its total turnover."

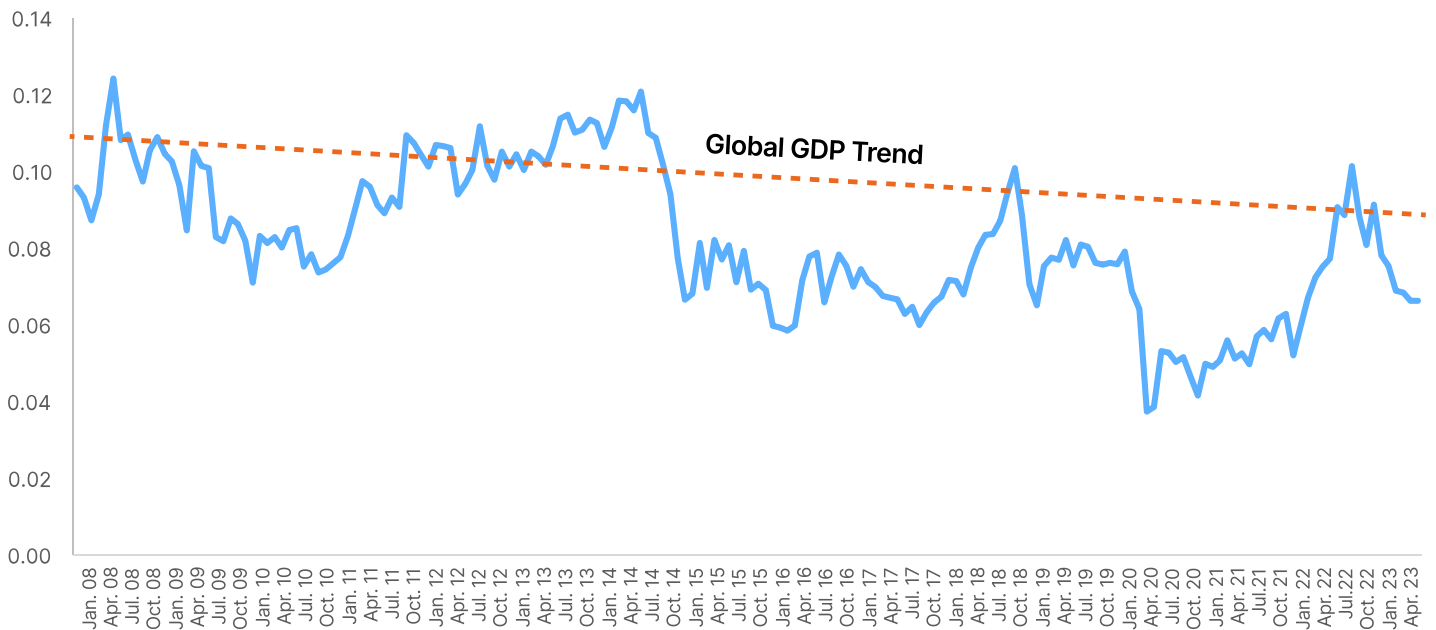
Demand for copper mining has increased in Kazakhstan

Source: <https://24.kz/ru/news/economy/item/596689-spros-na-dobychu-medi-vyros-v-kazakhstane>

Dynamics of copper prices



Oil and copper price ratio



Gulnaz Aldibekova

Analyst

"A big boom is expected in the exploration of Kazakhstan, which is caused by the growth of global demand for metal (due to the active implementation of the project on the introduction of "green technologies", the growth of consumption of electric vehicles in the world and the increase in construction volume in China), particularly from the main consumer of copper ore – China (China's share in the regional structure of copper ore exports and concentrates of Kazakhstan is approximately 85% by volume, and 90% - in monetary terms).

According to the outlook of industry experts, the shortage of refined copper on the world market may reach 10 million tons by 2035. This is also a significant driver for increasing the production of this metal in Kazakhstan."

Financial market as of 05/02/2023



Sunggat Rysbek

Analyst

“Last week, First Republic Bank, which is in the risk group, reported an outflow of deposits in the amount of 100 billion. First Republic was considered as one of the banks most at risk of bankruptcy after a series of bankruptcies raised concerns about a crisis in the sector. At the same time, last month a group of 11 banks invested \$ 30 billion to avoid the bankruptcy of 3 banks in 2023.

Investors negatively assessed the actual data on deposits, after which the shares of First Republic Bank began to fall. The bank outlined a plan to strengthen its financial position, including reducing staff by 25% to right the ship. Despite the assurances of the bank's management board, the share price fell by 49% on the day of the data release. By the end of the week, First Republic's shares fell to \$3.51 (-75% for the week), after which the bank declared bankruptcy – the efforts of the government and regulatory authorities to stabilize the situation did not help.

Regulators stated that the sale to the private sector is preferable to the transfer of the bank under the control of the FDIC, but the regulator promised to share the risks and committed to taking 80% of losses on mortgage loans for 7 years and 80% of losses on commercial loans for 5 years and also provided financing in the amount of \$ 50 billion.

Thus, JP Morgan announced the purchase of assets of First Republic Bank and will pay \$10.6 billion to the FDIC over the weekend. The bank will take out loans for 173 billion, securities for \$30 billion and deposits for \$92 billion, but not corporate debt or preferred shares of First Republic.

The bankruptcy of First Republic does not pose a systemic risk by itself, and the deal with JP Morgan completes the problem of the banking crisis in the United States. We expect an influx of deposits, which will largely make up for the March outflow due to the stabilization of the market situation.”

Annual increase in consumer prices was 16.8% in April 2023

Source :<https://new.stat.gov.kz/ru/industries/economy/prices/publications/6158/>

Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec



Aizhan Alibekova

Analyst

“In April 2023, the annual increase in consumer prices was 16.8% (monthly growth rates remained at the level of March). The Consumer Price Index was characterized by an uneven rate of change: prices for food and market services continue to slow down, while the rate of change in prices of non-food products, on the contrary, accelerated.

The increasing structural heterogeneity of inflationary processes, deviation from the budget rule and unshored expectations of the population slow down the rapid cooling of price pressure. The risks being realized in the housing and fuel markets contribute to the preservation of an increased inflationary background this year.

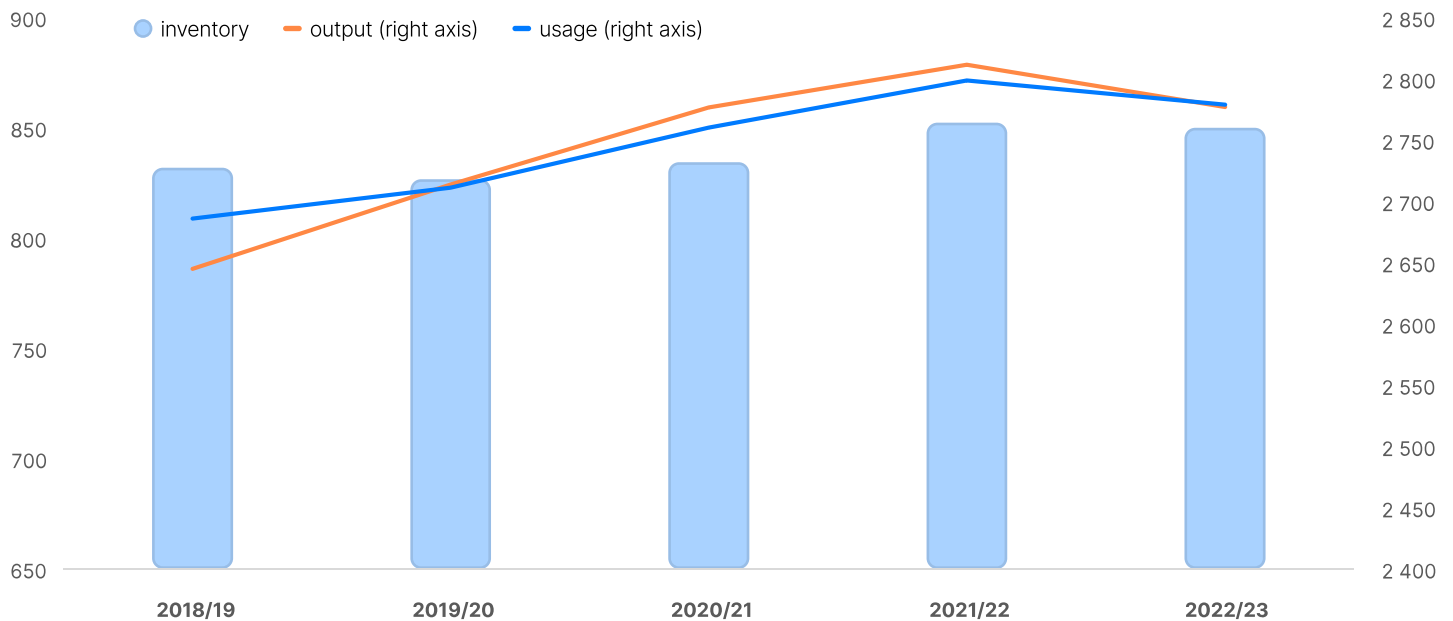
Domestic demand is stagnating, and the positive dynamics are explained by a significant increase in sales of non-food products, and the continued abnormal increase in trade volumes raises doubts about the use of traded goods exclusively for domestic consumption. We expect inflation at the level of 12.3-14.4% by the end of this year.

The recently announced initiative to increase the inflation target is a question of the optimality of its current level. A prolonged and significant deviation from the target causes difficulties in stabilizing the expectations of the public and business representatives. The current inflation target is unattainable from the point of view of the need for a corresponding tightening of monetary conditions, which will not make a special positive contribution to the stabilization of macro conditions, but it can lead the economy to a recession. The definition of a new achievable and optimal target for our economic structure will increase the controllability of inflationary processes and ensure the stabilization of the macroeconomic environment.”

Grain Initiative: The UN chief proposed a new plan of action

Source: https://forbes.kz/news/2023/04/25/newsid_299831

Global Grain Market



Source: fao.org



Aizhan Alibekova

Analyst

“The actions taken by Antonio Guterres are aimed at resolving problems with the export of Ukrainian grain from the Black Sea ports. Russia blocked Ukrainian ports, after which the so-called "Black Sea Grain Initiative" was concluded, where Russia undertakes not to hinder the export of Ukrainian grain in exchange for easing the sanctions regime in crop exports. The deal has already been extended twice (the last time on March 19). And 24 million tons of grain were exported during this time.

In March, Russia insisted on a shorter period (by 2 times) instead of another extension for 120 days. The Grain Initiative expires in mid-May. Russian agricultural exports are subject to restrictions due to secondary sanctions that apply to shipping, insurance and banking organizations, which causes dissatisfaction with Russia and its nomination of a list of extension conditions that affect not only the above sanctions but also require the lifting of a significant proportion of economic sanctions.

Ukrainian grain plays an important role in world food security. According to USDA forecasts, it will enter the top 10 global producers of crops. Now the Ukrainian side is also dissatisfied with the conditions for the implementation of the grain initiative, and also notes the need for a subsequent longer extension of the terms of the agreements for at least 1 year, to be able to plan export volumes in the long term.

Will the deal be extended? Probably yes, but both sides won't get everything they demand..”

Authors: Ayat Suraganov, Sunggat Rysbek, Klara Seidakhmetova, Gulnaz Aldibekova, Aizhan Alibekova

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